

# Retiring Times

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State Employees

November 2003

## Message from Director of Retirement Cynthia L. Webster

Retirement could come sooner than you think. Anyone with money in a tax-sheltered savings plan such as an IRA or Deferred Compensation can use these funds to purchase years of retirement credit.

Transfers from a tax-sheltered savings plan were taxed until the passage of the Economic Growth and Tax Reconciliation Act of 2001. With the elimination of the penalty for using these funds, individuals suddenly have the means to buy retirement credit.

Purchasing retirement credit will increase your monthly pension payment if you retire before you have 30 years of service as a state employee. If you retire when you have 30 or more years of service, then it may not increase your pension payment and you may not wish to purchase any additional retirement credit. (This article assumes that you are in the Group F plan – if you are in a different retirement plan, the 30 years does not apply to you. It also assumes that prior to January 1, 1991, you did not contribute to your retirement plan and needed 40 years of service to retire with a maximum pension. Thus, individuals who worked for the State of Vermont before 1991 will actually need to work more than 30 years to obtain their

maximum pension benefit.)

To determine the cost of purchasing one or more years of retirement credit, please use the calculator on our web page. Go to [www.vermonttreasurer.gov/Retirement/vsrs.html](http://www.vermonttreasurer.gov/Retirement/vsrs.html) and



click on "Calculators" on the left side of the web page. Please read the page before clicking on "Cost of Purchasing Service Credit." The worksheet will give you an esti-

mate of the cost of purchasing as many years of service as you choose. Do remember that there are limits on the amount of time that can be purchased under any category.

The other figure that you may need is an estimate of your pension amount at retirement. The maximum pension is half of your annual salary; to get that amount, you need 30 years of retirement credit. (Again, 30 years is an approximate figure.) If you retire with less than 30 years of

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## Board Chair Roger Dumas Retires

Long-time board member Roger Dumas left the Vermont State Employees' Retirement System Board in September. Roger had been on the Board for 14 years and had been the chair for three years. The State Employee's Retirement System extends its thanks to Roger for his many years of service as a state employee and Board member.

Warren Whitney is the new Chair of the Board. Warren has been on the Board for 10 years and works for the Vermont State Police. The Retirement Office welcomes and looks forward to working with Warren in his new role on the Board.

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credit, you will receive a pension that is less than the maximum.

For example, say you are 62, have worked for 25 years, and your annual salary is \$40,000. Your maximum pension is half of that \$40,000, or \$20,000. If you retire now and do not purchase any years of retirement credit, you will receive \$14,400 a year. Your pension will be \$5,600 less a year than if you received the maximum pension for your salary. Over the 20 years that the average person spends in retirement, that would amount to a loss of \$112,000 dollars.

For comparison, the cost of purchasing the five years of retirement credit is about \$37,000. The exact amount depends upon your age and salary when you purchase the retirement credit. As your age and salary rise, so does the cost of purchasing the credit.

In addition, your age can also influence your pension payment if you do not have 30 years of retirement credit. For each year that you are under the normal retirement age of 62, there will be a 6% decrease in your monthly pension payment. Thus, if you have 27 years of retirement credit, purchasing three years of credit to reach 30 years will increase your pension in two ways. First, it will bring you up to the maximum pension payment – 50% of your annual salary. Second, with 30 or more years of credit, the 6% penalty for each year under the age of 62 does not apply.

One more point: you can only purchase additional retirement credit **BEFORE** you retire. You cannot purchase any retirement credit after you have retired. So please do things in the correct order: first purchase your retirement credit, and then retire to begin the next exciting phase of your life.

*Cynthia L. Webster*

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## *Retiring Times* Merges Active and Retired Newsletters



*Retiring Times* features a new format with this issue. Each edition of the newsletter will have information for both active members and retired members.

The information for our retired members will be on the Retirees' Page, usually the third page of the newsletter. Retirees can flip right to page three to find information that is important to them. We encourage active members to also read the Retirees' Page to learn about matters that will be important to them when they retire. Articles for retirees will often continue on the back page, as they do in this issue about health insurance.

Active members will find the Director's Message of interest. There will also be occasional messages from

State Treasurer Jeb Spaulding. Since many of our retirees still have friends and colleagues who are working for the State of Vermont, these articles should also be of interest to retirees by keeping them up-to-date on topics that are important to their friends and colleagues.

*Retiring Times* welcomes your comments on our new format. Send them to:

*Retiring Times*  
Vermont State Retirement Systems  
133 State Street  
Montpelier, VT 05633-6901

You can also contact the editor of your newsletter by e-mail at [jbahr@tre.state.vt.us](mailto:jbahr@tre.state.vt.us)

## Open Enrollment for Health Insurance in November

November will be the Open Enrollment month for retirees with health insurance through the State of Vermont. To keep your current health insurance plan, no action is necessary – you will automatically be kept in your current plan unless you decide to change it. If you do want to switch health plans, then you must contact the Retirement Office at 1-800-642-3191 (toll-free calls can only be made from phones in Vermont) or 1-802-828-5189.

The Employee Benefits Division for the State of Vermont will be sending information on the health

plans to all retirees with health insurance through the State of Vermont. That information will contain new premium rates as well as descriptions of the plans. You can also find premium rates and application forms on our webpage at [www.vermonttreasurer.gov](http://www.vermonttreasurer.gov)

If you dropped your State of Vermont health insurance at retirement or any time after retirement, you will not be able to regain coverage during the open enrollment period. Health insurance must be continuously maintained or it is permanently lost for retirees.

## Medical Insurance Premium Holiday!

As Governor Douglas announced in September, there will be a “premium holiday” for members of any of the Cigna health care plans for the months of November and December of 2003 in order to use up premium reserve surplus in these plans. This means that no health insurance premiums will be deducted from your retirement checks in October or November 2003.

We are pleased that state retirees will receive some financial relief, particularly at the end of the year. The approximately \$12 million surplus is the result of several factors. When premium rates were established for 2003, the new health plans

were less than a year old, and there was very little claims experience data. A conservative approach was taken to ensure that sufficient funds were available to pay health care claims. In addition, our “per member” claims are lower than originally projected. Lastly, we believe that the new Cigna disease management programs and the expansion of the wellness program to all employees and retirees have had a positive impact on the health of our members, a trend that we hope to see continue. Because of the unusual convergence of all of these factors, we do not expect that the surplus will repeat itself in subsequent years.

**Cost-of-Living Increase for 2004** Retirees will receive a COLA (cost-of-living adjustment) in January. The increase in the pension benefit will be 1.05% for retirees of Groups E and F and 2.1% for all other Groups.

## Address Changes

If you have moved in the last year and have not yet notified the Retirement Office, please do so now. We need your current address for the tax statement that will be mailed in January of 2004. Unless we have your current address, we will also be unable to send you information on your retirement plan and benefits.

Send your new address to Vermont State Retirement Systems, 133 State Street, Montpelier, VT 05633-6901. *All address changes must be in writing.* For your protection, the Retirement Office does not take address changes by phone. If you live in central Vermont, you can also stop in and give us your address change in person. We are on the second floor of the state office building.

Vermont State Employees' Retirement System  
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## Health Care - Question and Answer

**Question:** I am a retired state employee in the SelectCare health plan. My doctor gave me a referral to a specialist. Can I assume that the specialist is an in-network physician or might I have to pay the out-of-network deductible?

**Answer:** Your doctor does know who belongs to the SelectCare network and should be referring you to a specialist within the network. However, doctors can make mistakes, so when you call the specialist to set up an appointment, ask if he or she is part of the Cigna SelectCare network. If he or she is, then you will not have to worry about paying the out-of-network deductible.

If the specialist is not part of the SelectCare network, then you should contact your primary care physician again. It is the primary care physician's responsibility to either refer you to a specialist within the network or to ensure that a referral out-

side the network does not result in a charge for the out-of-network deductible.

If you would like a list of all SelectCare network primary care physicians and specialists, call Cigna toll-free at 1-800-351-8513. When you make this call, be sure that you have your Cigna member card with your account number handy as Cigna will request this information.

